

## Is corruption the cause of poverty in Indonesia? a dynamic approach to Ibn Khaldun's model of morality

<sup>1</sup>Siti Nur Latifah, <sup>2</sup>Moehammad Fathorrazi\*, <sup>3</sup>Lilis Yuliati, <sup>4</sup>Duwi Yunitasari

ISSN: 1533 - 9211

- <sup>1</sup>Program of Doctoral Studies in Economic, Faculty of Economics and Business, Jember University, Indonesia  
<sup>2</sup>Program of Doctoral Studies in Economic, Faculty of Economics and Business, Jember University, Indonesia  
<sup>3</sup>Program of Doctoral Studies in Economic, Faculty of Economics and Business, Jember University, Indonesia  
<sup>4</sup>Program of Doctoral Studies in Economic, Faculty of Economics and Business, Jember University, Indonesia

### CORRESPONDING AUTHOR:

Moehammad Fathorrazi  
rozi\_feunej@yahoo.com

### KEYWORDS:

Poverty, Ibn Khaldun, Morality, Corruption, Pooled Least Square (PLS)

Received: 09 February 2024  
Accepted: 24 February 2024  
Published: 02 March 2024

### TO CITE THIS ARTICLE:

Latifah, S. N., Fathorrazi, M., Yuliati, L., & Yunitasari, D. (2024). Is corruption the cause of poverty in Indonesia? A dynamic approach to Ibn Khaldun's model of morality. *Seybold Report Journal*, 19(3), 27-40. DOI: [10.5110/77.1119](https://doi.org/10.5110/77.1119)

### Abstract

The poverty problem is a multidimensional discourse. The debate about poverty and how to exterminate it has been carried out for many years. This is important because the problem of poverty can have implications for social, economic, and political problems in society. In Islamic history, one scholar who discussed poverty was Ibn Khaldun. Referring to the socio-economic dynamics theory compiled by Umer Chapra based on Ibn Khaldun's thoughts in his "eight wise principles" or Hikammiyah sentences, Ibn Khaldun views poverty as not only caused by economic factors but also influenced by multidimensional non-economic aspects (morality). This study aims to observe the influence of Ibnu Khaldun's social-economic dynamics, such as government spending in the social sector, corruption, human development index (HDI), Gross Regional Domestic Product (GRDP), Foreign Direct investment (FDI), and Gini ratio over poverty rates in Indonesia. This study used modeling using the static panel data regression method with the Pooled Least Square (PLS) approach. Based on panel data analysis which includes data from 34 provinces in Indonesia for the 2018-2022 period, it was found that the variables of government spending in the social sector, corruption and Gross Regional Domestic Product (GRDP), significantly affect the poverty rate in Indonesia. Meanwhile, the variables Human Development Index (HDI), Foreign Direct investment (FDI), and Gini ratio have no effect.

## 1. Introduction

The poverty problem is a multidimensional discourse. Through the centuries, many viewpoints have been on its emergence and continuity. The debate about poverty and how to exterminate it has been carried out for many years. For understanding such a phenomenon, two approaches can be comprehended. It may be structural or individualized. Poverty is a political as well as an economic notion. The dynamics of its continuity are varied, and both state and non-state entities are heavily represented. Are they the only ones to blame for their miserable lives? Or is this poverty the result of a structural issue? Why does inequality increase with a country's level of development? (Daas, 2019).

In Islamic history, one scholar who discussed poverty was Ibn Khaldun. More than six hundred years ago, Ibn Khaldun provided an explanation of the causes of the Muslim population's fall during his lifetime. But the majority of Ibn Khaldun's writings have since become accepted wisdom (Chapra, 2008: 837).

There is a theoretical gap between neoclassical economics and Islamic economics both are rooted in the same philosophical source, namely Consequentialism. The philosophy of Consequentialism is a view that an action is said to be right, it depends on its consequences or usefulness (Scarnicci, 2012). This philosophical source then produces the view of Utilitarianism (Bentham, 1781). It can be said that Utilitarianism is a moral doctrine emanating from Consequentialism which holds that moral absolutes in human actions have no intrinsic morality (good or bad intentions), everything depends on the consequences, namely human happiness (utility), human happiness is a good final goal, not on the actions itself, from this doctrine the philosophy of anthropocentrism.

According to conventional economics, by its understanding of rational economic humans, rational individual actions are focused on self-interest which is the only goal for all activities. Economics ignores morals and ethics in spending and time elements and is limited to the conventional world without considering the afterlife. Unlike the case in Islam, Homo Islamicus based on Kahf's views is not a new concept created from space. This concept is presented from Islamic religious values contained in the Qur'an and the Sunnah, so it has different characteristics from secular economics which tends to ignore religious values. In a secular economy, it is possible to talk about rationality, economic ethics, and consumption ethics, but the formulation of values that are used as a basis is not religion or God's law. Secular economics makes humans the center of everything or what is called anthropocentric, while Islamic economics tends to be theocentric by making spirituality and eschatology the highest goal (Huda, 2021).

Ibn Khaldun considers the welfare or difficulties of human life to be extremely dependent on the emergence and fall of a dynasty or civilization (Rosenthal, 1967) given that humans are the focus of his research. According to his research, a number of non-economic elements as well as economic ones have a role in the development and collapse of civilisation. The Muqaddimah therefore seeks to identify linked aspects, such as the significance of moral, psychological, political, economic, social, and demographic factors. Ibn Khaldun's explanation shows that poverty is a classic problem with broad and complex dimensions, so the policy strategy to eradicate it cannot be from one side. Ibnu Khaldun's social structural model method is thought to be able to offer solutions for reducing poverty in a number of nations, especially Indonesia, which has the world's largest Muslim population.

Ibn Khaldun's social dynamics model, which is still abstract, is then proxied in several economic and non-economic variables. The Gini Index, the Gross Regional Domestic Product

(GRDP), the Government Investment, the Human Development Index (IPM), and government spending (on health and education) are a few of these factors. One of the important non-economic characteristics (moral approach) that differentiates Ibnu Khaldun's social dynamics model from the poverty measuring model that many scholars have so far investigated is the Sharia parameter.

Ibnu Khaldun made the moral variable, namely corruption, one of the non-economic variables that causes poverty. This is in accordance with the verse of the Qur'an regarding the prohibition of corruption, namely in QS. Al-Baqarah: 188:

وَلَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ وَتُدْخِلُوا بِهَا إِلَى الْحُكَّامِ لِتَأْكُلُوا فَرِيقًا مِّنْ أَمْوَالِ النَّاسِ بِالْإِثْمِ وَأَنْتُمْ تَعْلَمُونَ

Meaning: "And do not falsely eat the wealth between you, and (don't) you bribe the judges with that wealth, with the intention that you can consume some of other people's wealth sinfully, even though you know." (QS. Al-Baqarah: 188)

The graph of poverty rates in Indonesia, which has a population of 207,203,917 according to statistics made public by the Central Bureau of Statistics (Central Bureau of Statistics, 2020), exhibits a varying pattern. In several years, the numbers showed a downward trend until 2019 but increased again in 2020 during the COVID-19 pandemic. Data and graphs of the poor population from 2018 to 2020 are presented below:

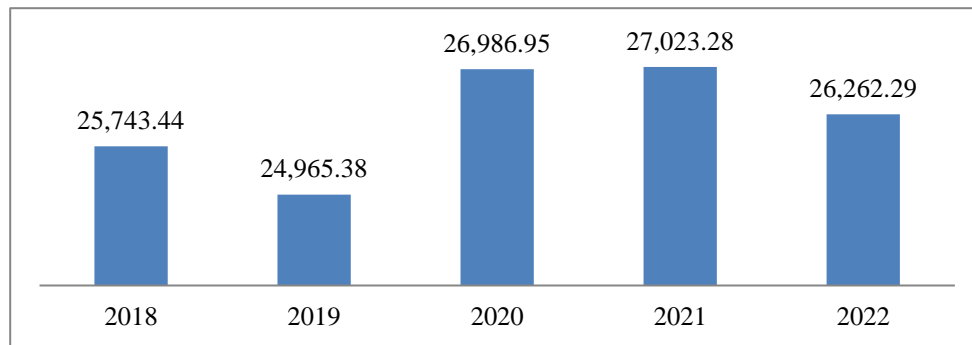


Figure 1 : Poverty Population rates (in millions) in Indonesia

Source : Central Bureau of Statistics RI, 2023

Based on Figure 1.1, the facts show that poverty needs special care, especially in countries where most of the population is Muslim, like Indonesia. Because poverty can have an impact on social, economic, and political societal issues, caution is necessary. Even the Prophet's saying that "poverty (destitute) is close to disbelief" was recorded in a hadith. Many studies have been conducted to provide input for policymakers to reduce poverty in many countries, especially developing countries. In general, the study was conducted using a modern economics approach.

The social dynamics of Ibn Khaldun have been the subject of several prior research (Fatoni et al., 2019; Putra & Indra, 2016). Islamic nations that are OIC (Organisation of Islamic Cooperation) members. The results showed that all the variables used in the study imply significant effects on poverty, except for government spending on education, the Corruption Perceptions

Index (GPA), and a measure of human development (IPM). Research (Affandi & Astuti, 2014) in Muslim majority countries (Indonesia, Malaysia, and Pakistan) and Muslim minority countries (India) has produced varied results. The findings revealed that Indonesia, a Muslim-majority nation, was highly impacted by the dynamics model parameters, but Pakistan only had a significant impact from the HDI variable. The model had no discernible effect on Malaysia or India.

In this study, the researcher created a variable using the proxy used in Ibnu Khaldun's dynamics model as a complicated economic and non-economic parameter to quantify poverty levels based on the many economic and non-economic indicators mentioned above. Researchers use corruption rates (data on corruption cases published by the Indonesia Corruption Watch (ICW)) as a proxy for Sharia. This proxy has never been used in previous studies. It is a new form of the Ibn Khaldun dynamics model approach, referring to several other relevant poverty-related studies. This is important because the problem of poverty can have implications for social, economic, and political problems in society.

## 2. Literature Review

### a. Dynamics - Ibn Khaldun's Socio-Economics

Ibn Khaldun, an Islamic thinker, first created the term "development" to describe socioeconomic dynamics, which Umer Chapra later developed. (Sri Wahyudi Suliswanto et al., 2019) In the Muqaddimah book, Al Mas'udi in the Persian news tells us about Al-Mu'dzaban, their religious leader during the reign of King Bahram bin Bahram and his innuendo to the king for denying the tyranny he had committed and his negligence about the consequences that would befall the kingdom. Al-Mu'dzaban made an analogy about it in the language of a parrot; to cut a long story short, the king finally became aware of his negligence. Al-Mu'dzaban explains: "O king, in fact, the kingdom can not be perfect except with the Sharia, that is, working for Allah by obeying His commands and avoiding His prohibitions. And only the king will be able to establish the Shari'a. There is no glory to the king except with figures. These figures would not stand tall unless with wealth. No wealth would be achieved except by development. There is no development except with justice. Justice is a scale between beings installed by God. And a guard was made for him. The guardian is the king (Ibn Khaldun, 1978, p. 366). The entire model of Ibn Khaldun can be summarized in the advice he gave to kings as follows: (Chapra, 2000, p. 147)

1. Sovereign power (*Al-Mulk*) will not manifest except by implementing Sharia;
2. Only a sovereign can put Sharia into effect (*Al-Mulk*);
3. Without the aid of human resources, sovereignty will not increase in power (*Ar-Rijal*);
4. Only with property can human resources be maintained (*Al-Mal*);
5. Only through development can property be acquired (*Al-Imarah*);
6. Justice alone cannot bring about development (*Al-Adl*);
7. Allah uses justice as a measure (*Al-Mizan*) to assess people; and
8. Sovereignty contains a charge of responsibility to uphold justice."

Eight political concepts from Ibn Khaldun's writings make up this statement of advice. The "eight wise principles" or Hikammiyah statements are these eight sentences. In a cycle path where the beginning and the conclusion cannot be differentiated, each factor is related to the other equally. (Chapra, 2000, p. 148).

This Hikamiyyah phrase illustrates the flexible and interdisciplinary nature of Ibn Khaldun's thought. It crosses disciplinary boundaries because it does not focus on a single issue as the sole cause of civilizational decline. However, it establishes a rotational connection between all

significant political and socioeconomic factors, including Sharia (S), Political Authority (G), Society (N), Wealth (W), Development (g), and Justice (j). Each factor influences the other and, at the same time, also receives influence from these factors.

The dynamism dimension can demonstrate how moral, psychological, political, social, economic, and demographic factors interact over time and contribute to the advancement or decline of a civilization. This cycle operation occurs in a chain reaction over a long period of time, at least three generations or about 120 years.

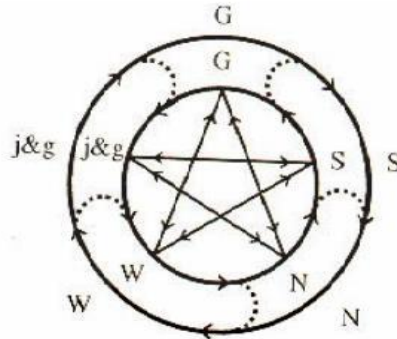


Figure 2 : Ibn Khaldun's Socio-Economic Model Dynamics  
Source : Chapra (2006)

### **b. The Role of the State or Government (Government/*Al-Mulk*)**

Islam views the government's involvement in the economy as significant. It is reflected in Prophet Muhammad and caliphate history, and the government was involved in all spheres of life, including the economy. Ibn Khaldun has distinguished between society and the state. He argues that related to the characteristics and nature of events, humans need community, meaning that humans need cooperation among themselves to live. Although there are differences between the state and society, the two cannot be separated.

Based on this expression, the way to overcome poverty can start from the role of the authority holder (imam), who can collect and distribute assets to those entitled, in other words, people experiencing poverty. The goal of this work was to improve society as a whole. The government's job in fostering social welfare is to end people's financial struggles, make economic progress easily accessible to all levels of society, and foster prosperity. For Ibnu Khaldun, the public spending side is critical (Mujahidin, 2018).

***H1: Government Spending In The Social Sectors has an impact on Indonesia's poverty rates (as a proxy for the sovereignty component, political authority, and *Al-Mulk*).***

### **c. The Role of Sharia (*Sharia*)**

The image of poverty should not be understood only as lacking access to natural resources but also as a failure of human dignity (Daas, 2019). To improve oneself as a person, personal transformation is required. The two areas that require the most focus are socioeconomic advancement and education. Increasing income and literacy might not be sufficient on their own. Additionally, it is crucial to raise one's moral character, which neoclassical economics sometimes overlooks yet is crucial since, as Lawson correctly noted, "no political or economic order can endure except on moral grounds," Lawson (1995: 35) Enhancing moral character will help provide the necessary traits of honesty,

integrity, and diligence to promote development (Chapra, 2008, p. 856)

Corruption and restricted freedom of speech often undermine the court, making it less likely that the ruling class will be held accountable. When wrongdoers go unpunished, villainy tends to spread. Then it becomes difficult to eradicate evil. There will be more unhappiness and less cooperation between the government (G) and the people (N) if justice primarily punishes those who are poor. This contributes to social and political unrest, which is a major barrier to economic growth (Chapra, 2008:854).

These countries' governments are unable to effectively invest in infrastructure, education, and health because a significant portion of their limited public resources are diverted to the creation and financing of the luxury and consumption of the ruling class. To speed up development, action and public services are needed.

***H2: There is an influence between corruption rates (proxy Sharia dimension) on poverty rates in Indonesia***

**d. The Role of Human or Community Resources (Nation/Ar-Rijal)**

Ibn Khaldun places humans at the core of his research since civilisation, whether it advances or retreats, is strongly tied to a society's well-being or sorrow. In addition to economic variables, a number of other factors that affect people's quality of life over the long term through a causal chain affect welfare and community suffering as well.

Humans have a crucial part in a civilization's rise and fall, especially its economic development. The end and means of growth are man. Development is geared toward people because if welfare (Falah) is achieved, people are better able to work productively and creatively. Thus, it is not wrong if humans are appointed as caliphs of the earth because they are development tools, but this development will occur when humans want to work and build (Fatoni et al., 2019). The quality and quantity of a country's human resources would affect the magnitude of its economic growth potential.

***H3: There is an influence between the Human Development Index (IPM) (proxy Human Resources dimension /Ar-Rijal) on poverty rates in Indonesia***

**e. The Role of Wealth (Wealth/Al-Mal)**

The resources required to ensure justice (j) and development (g) are made available by wealth. Wealth is based on economic activity, the size of the market, government incentives, and facilities that are left over after addressing community requirements. The more the revenue, the greater the investment in equipment, the greater the commitment to savings, and the greater the contribution to growth (g) and wealth (W).

Ibn Khaldun emphasized the importance of investing even more by claiming that hoarded and stored wealth does not increase. When used to support social welfare, provide for the deserving, and remove obstacles, it will grow and multiply. Low tax rates, life security, property rights, and a healthy physical environment were the catalysts.

***H4: There is an influence between the Gross Regional Domestic Product (GRDP) (proxy Property dimension/Al-Mal) on poverty rates in Indonesia***

**f. The Role of Development (growth/Al-Imarah)**

Development is critical because society's natural tendency is continuously developing, not standing still and stagnant. This movement can either progress or regress. The Ibn Khaldun model

of development encompasses all facets of human progress, not only economic growth. Hence, each variable affecting other variables (G, S, N, W, j, and g) will ultimately contribute to human welfare and guarantee survival.

There are three core objectives of development according to (Todaro, Michael P., 2004), they are:

1. Making more of various living essentials available and spreading their distribution
2. Improved standard of living
3. Expansion of economic and social choices

According to the World Bank in 1991, raising people's standards of living is development's main objective. In contrast, the United Nations Development Program (UNDP) stated in 1991 that promoting more fair economic growth and participatory development is the greatest approach to translate human development. Ibn Khaldun did not commit the error of attempting to explain development and fall solely in terms of economic factors. To demonstrate how the interconnected relationships of social, moral, economic, political, historical, and demographic elements contribute to the development and fall of society, he likes to employ a multidisciplinary and dynamic approach. Additionally, this explains what makes growth sustainable and when people experience true prosperity. It also explains why some nations develop more quickly than others. Thankfully, Development Economics is gradually taking into account the significance of practically all of these factors as well as how they interact with one another through circular causation.(Chapra, 2008).

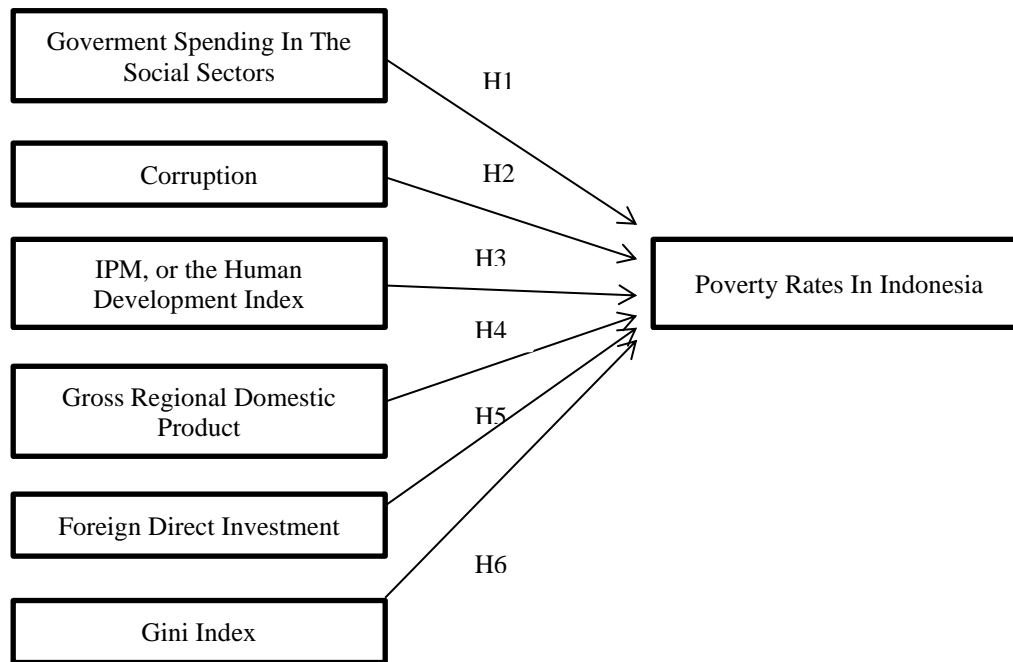
***H5: There is an influence between foreign investment (proxy development dimension /Al-'Imarah) on poverty rates in Indonesia***

#### **g. Justice (Justice/Al-'Adl)**

The basic principles of Islamic economics, according to Umer Chapra, are as follows:

1. Principle of Tawhid. The cornerstone of the Islamic faith is tawhid. As a result, everything in the universe must have a purpose because everything in the universe was designed and created by Allah SWT purposely, not by accident. This goal gives the existence of the universe, including the occupants who are humans, significance and meaning.
2. The caliphate principle. On earth, humans serve as Allah SWT's caliph. They have the material and spiritual tools necessary to exercise authority in their capacity as His caliph. This principle has the following implications: (1) universal brotherhood; (2) resources are a trust; (3) a basic way of living; and (4) human freedom.
3. The justice maxim. One of the main goals of Islamic teachings is to promote justice. This principle has the following effects: (1) satisfaction of fundamental human requirements; (2) legal and Tayyib sources of revenue; (3) equal distribution of wealth and income; and (4) growth and stability.

***H6: There is an influence between the Gini Index (proxy Justice dimension /Al-'Adl) on poverty rates in Indonesia***



**Figure 3: Study Concept Framework**

### **3. Research Method**

The population in this study was all 34 provinces in Indonesia, and the observation period was 2018–2020, resulting in 170 observations from panel data. Quantitative data was also gathered in this study, and secondary data was also used in this study, Quantitative data was collected over a period of two years (2018–2022). Secondary data was also gathered from the Central Bureau of Statistics (BPS) statistical data that was accessed from the website [www.bps.go.id](http://www.bps.go.id). In addition, data was also obtained from the Ministry of Finance's report from the Directorate General of Fiscal Balance (DJPk) and Indonesia Corruption Watch (ICW).

Analyzing the impact of each independent variable (independent variable) on the dependent variable (dependent variable) is done using the data analysis method. Panel data, which combines cross-sectional and time-series data, was employed in this investigation. Data from a number of items or individuals observed over time is referred to as panel data. When using panel data, we will have  $N \times T$  if there are  $N$  individuals (where  $N = 1, 2, 3, \dots, N$ ) during the observation period for  $t$  time (where  $t = 1, 2, 3, \dots, T$ ). The panel data in this study were  $N=34$  provinces and  $T=5$  years, so  $N \times T= 68$  observational data were obtained.



According to (Baltagi, 2005) panel data regression model in general in the following equation:

$$y_{i,t} = \alpha_i + \mathbf{x}'_{i,t}\boldsymbol{\beta} + u_{i,t}$$

Where  $i$  is worth  $1, 2, \dots, n$  and  $t$  are worth  $1, 2, \dots, T$ . Index  $I$  shows the dimensions of the cross-section, while index shows the dimensions of the time series. With :

- $Y_{i,t}$  : Observation of the  $i$ -th cross section unit in the  $t$ -th period  
 $A$  : intercept  
 $\mathbf{x}'_{i,t}$  : The observation vector on the independent variable is  $1 \times K$  in size  
 $\boldsymbol{\beta}$  : The predictor variable coefficient vector is  $K \times 1$   
 $u_{i,t}$  : Panel regression error for the  $t$ -time period's  $i$ -th unit cross section

#### 4. Results

**Table 1. Output Results of Least Squares Panel**

Variable	Coefficient	Prob.	Result
C	3.611008	0.0472	-
LOG(EXPENDITURE)	0.093044	0.1319	No Effect
LOG(CORRUPTION)	0.320176	0.0000	Influential
IPM	-0.133000	0.0000	Influential
LOG(PDRB)	0.778201	0.0000	Influential
LOG(INVESTMENT)	-0.088974	0.0789	No Effect
IG	0.408060	0.8064	No Effect

Source: Output Eviews 10

Based on table 1. results for the panel data regression discussed above, the following may be said about the partial significance test (t-test) with a significance level of 5% or 0.05:

- Government Spending in the social sector Variable (X1) With a significance score of the probability p-value of  $0.1319 > 0.05$ , it means that partially the variable X1 does not affect the variable Y (poverty).
- Corruptibility variable (X2) The probability p-value of  $0.0000 < 0.05$ , it means that partially the variable X2 has a positive and significant effect on variable Y (poverty).
- Human Development Index (X3): Variable Human Development Index With a probability p-value of  $0.0000 < 0.05$ , indicates that the variable X3 partially has a negative and significant influence on the variable Y (poverty).
- Gross Regional Domestic Product (X4): Variable Gross Regional Domestic Product With a probability p-value of  $0.0000 < 0.05$ , the variable X4 has a negative and significant influence on the variable Y (poverty).
- Foreign Direct Investment (X5) With a significance score of the p-value probability of  $0.0789 > 0.05$ , meaning that partially the variable X5 does not affect variable Y (poverty).
- Gini ratio variable (X6) has a significance level of the p-value probability of  $0.8064 > 0.05$ , which indicates that the variable X6 partially does not affect the variable Y (poverty).

## 5. Discussion

### a. Influence of Government Spending in the Social Sector on Poverty

Based on the regression results above, the coefficient of the social sector government expenditure variable has a value of 0.093044 and a significance level of 0.1319 which is greater than the alpha value of 0.05. This shows that poverty in Indonesia is not influenced by variations in government spending in the social sector. This shows that increasing government spending on social systems in Indonesia has no impact on reducing poverty rates in that country. The initial hypothesis of this research, which states that government spending in the social sector has a negative and large impact on poverty, is contrary to this data.

The findings of this research show that increasing government spending in the social sector is unable to reduce poverty rates in Indonesia. The government budget spent to finance various social protection programs, namely government spending on social assistance, both cash and non-cash assistance, will have a multiplier effect. If linked to goods market theory (Blanchard, 2013), social assistance programs are indeed able to stimulate the economy in the short term but are not yet at the stage of being able to reduce poverty levels.

### b. Effect of corruption on poverty

Based on the regression results above, the coefficient of the corruption variable is obtained with a value of 0.320176 and a significance value of 0.0000, which is lower than the alpha value of 0.05. This means that statistically the corruption variable has a positive and significant effect on poverty in Indonesia. This shows that increasing corruption in Indonesia will increase the level of poverty in Indonesia. This finding is by the second hypothesis put forward in the initial chapter of this research, which argues that corruption has a positive and significant impact on poverty. As a result of corruption, large amounts of public resources are diverted to development and financing the luxury and consumption of the ruling elite, making the government unable to spend money in a targeted manner on education, health, infrastructure. Surah Baqarah, 2:215 informs us “They ask you as to what they should spend. Say, 'Let whatever wealth you spend be for the parents, relatives, orphans, the needy, and the traveller.' Allah indeed knows whatever good you do”. In fact the fourth Pillar of Islam is to give alms to the poor. Muslims are thus supposed to donate a fixed amount of their property to charitable causes each year.

### c. Impact of Human Development Index (HDI) on Poverty

The HDI variable coefficient has a value of -0.133000 and a significance level of 0.0000 which is lower than the alpha value of 0.05 based on the regression results. This shows that the HDI variable has a negative and statistically significant influence on poverty in Indonesia. This shows that increasing HDI in Indonesia will reduce poverty levels.

The three factors that make up the HDI—health, education, and standard of living (or income)—depend on each other. Education and health are a form of investment in human resources, meaning that with education and a healthy condition, every human resource can improve their standard of living. Increasing a person's education is often associated with increasing income or wages earned. If wages reflect productivity, then the more people who have a high level of education and training experience, the higher the productivity and the lower the poverty level. Apart from education, health also plays a role in increasing income. The influence of health on

income includes improving population health which will increase labor force participation. Improving health can also bring improvements in educational levels and the development of personal potential, which then contributes to economic growth by increasing income and reducing poverty levels.

#### **d. Effect of Gross Regional Domestic Product (GRDP) on Poverty**

Based on the regression results above, the coefficient for the gross regional domestic product variable is obtained with a value of 0.778201 and a significance value of 0.0000, which is lower than the alpha value of 0.05. This means that statistically the gross regional domestic product variable has a negative and significant effect on poverty in Indonesia. This shows that an increase in gross regional domestic product in Indonesia will most likely increase the level of poverty in Indonesia. This finding is not by the fourth hypothesis put forward in this study, which states that gross regional domestic product has a negative and significant influence on poverty.

Gross Regional Domestic Product (GRDP) growth is an indicator in determining the success of development and is a necessary condition for reducing poverty levels. There are several reasons why the Gross Regional Domestic Product (GRDP) does not have a negative influence on poverty levels, including the imbalance in income distribution/inequality in Indonesia. A study conducted by Kuznet (1995) stated that the development process will be accompanied by a substantial increase in inequality, and then there will be a turning point when the economy is advanced.

#### **e. Effect of Foreign Direct Investment (FDI) on Poverty**

Based on the regression results above, the coefficient of the government investment variable has a value of -0.088974 and a significance score of 0.07890, more than the alpha value of 0.05. This shows that the government investment variable, statistically, has a small and detrimental impact on poverty in Indonesia. This shows that increasing government investment in Indonesia cannot reduce the poverty rate in Indonesia. The insignificant effect of government investment on poverty occurs because foreign investment in large companies is not able to absorb a lot of workers. The use of sophisticated machines in the company also requires higher qualifications to exist in the workforce.

#### **f. Impact of the Gini Ratio on Poverty**

Based on the regression results, the Gini coefficient with a value of 0.408060 and a significance value of 0.8064 is greater than the alpha value of 0.05. This shows that the Gini ratio variable does not have a statistically significant impact on poverty in Indonesia. This shows that the greater the level of inequality in Indonesia cannot increase the poverty rate in Indonesia. These findings contradict the sixth hypothesis proposed in prior work which argues that the Gini ratio has a positive and significant effect on poverty.

The Kuznets' theory states that unequal distribution of income is necessary to achieve increased economic growth. Because rich people have a greater savings ratio than poor people, the more unequal a country's income distribution, the faster the rate of economic growth. - poor people will increase their level of aggregate savings followed by increased investment as development capital which will increase economic growth (Affandi & Astuti, 2014). Continuous increases in public investment are expected to increase economic activity, create more jobs, increase national

income, increase individual influence, and reduce poverty.

## 6. Conclusion

The conclusion based on the results and discussion above is that the dynamics of Ibnu Khaldun's poverty alleviation model can prove that non-economic variables, namely corrupt behavior, are one of the factors causing increasing poverty in Indonesia. From the background of the emergence of the problem of poverty, the author concludes that the Qur'an offers a comprehensive solution. Firstly, it is aimed at Muslim individuals by providing guidance on attitudes and behavior that should be instilled in every individual, such as advice not to be greedy and take other people's rights (corruption). This can be seen from the research results which show that corrupt behavior can increase poverty because wealth is not distributed to the poor as it needs to be in Islamic teachings.

## COMPETING INTERESTS

The authors have no competing interest to declare.

## Author's Affiliation

<sup>1</sup>Siti Nur Latifah, <sup>2</sup>Moehammad Fathorrazi\*, <sup>3</sup>Lilis Yuliati, <sup>4</sup>Duwi Yunitasari

<sup>1</sup>Program of Doctoral Studies in Economic, Faculty of Economics and Business, Jember University, Indonesia, [latifahsitinur516@gmail.com](mailto:latifahsitinur516@gmail.com), <https://orcid.org/0009-0007-3359-4908>

\*<sup>2</sup>Program of Doctoral Studies in Economic, Faculty of Economics and Business, Jember University, Indonesia, [rozi\\_feunej@yahoo.com](mailto:rozi_feunej@yahoo.com), <https://orcid.org/0009-0009-8147-3064>

<sup>3</sup>Program of Doctoral Studies in Economic, Faculty of Economics and Business, Jember University, Indonesia, [lilisyuliati.feb@unej.ac.id](mailto:lilisyuliati.feb@unej.ac.id), <https://orcid.org/0000-0001-7202-4632>

<sup>4</sup>Program of Doctoral Studies in Economic, Faculty of Economics and Business, Jember University, Indonesia, [duwiyunita.feb@unej.ac.id](mailto:duwiyunita.feb@unej.ac.id), <https://orcid.org/0000-0002-2591-8606>

**COPYRIGHT:**

© 2024 The Author(s). This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC-BY 4.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited. See <http://creativecommons.org/licenses/by/4.0/>. *Seybold Report* is a peer-reviewed journal published by Seybold\_Publications.

**HOW TO CITE THIS ARTICLE:**

Latifah, S. N., Fathorrazi, M., Yuliati, L., & Yunitasari, D. (2024). Is corruption the cause of poverty in Indonesia? A dynamic approach to Ibn Khaldun's model of morality. *Seybold Report Journal*, 19(3), 27-40. [DOI: 10.5110/77.1119](https://doi.org/10.5110/77.1119)

**REFERENCES**

- Affandi, A., & Astuti, D. P. (2014). Dynamic model of Ibn Khaldun theory on poverty: Empirical analysis on poverty in majority and minority Muslim populations after the financial crisis. *Humanomics*, 30(2), 136–161. <https://doi.org/10.1108/H-05-2012-0010>
- Baltagi, B. H. (2005). *Econometric Analysis of Panel Data* (Third edit). John Wiley & Sons, Ltd.
- Bentham, J. (1781). An introduction to the Principles of Morals and Legislation. *Batoche Books.*, 8(1). <https://doi.org/https://doi.org/10.1017/S1062798700004543>
- Blanchard, O. (2013). *Macroeconomics* (6th Editio). Pearson Education.
- Chapra, M. U. (2000). *The Future of Economics: An Islamic Perspective*. The Islamic Foudation.
- Chapra, M. U. (2008). Ibn Khaldun's theory of development: Does it help explain the low performance of the present-day Muslim world? *Journal of Socio-Economics*, 37(2), 836–863. <https://doi.org/10.1016/j.socec.2006.12.051>
- Ciani Scarnicci, M. (2012). The Classic Utilitarianism and the Ethical Economics. *SSRN Electronic Journal*, 1–10. <https://doi.org/https://doi.org/10.2139/ssrn.2060394>
- Daas, Y. (2019). *Poverty : A Structural Perspective. August 2018*.
- Fatoni, A., Herman, S., & Abdullah, A. (2019). Ibn Khaldun Model on Poverty: the Case of Organization of Islamic Conference (Oic) Countries. *Journal of Islamic Monetary Economics and Finance*, 5(2). <https://doi.org/10.21098/jimf.v5i2.1066>

- Huda, N. (2021). Implementasi Konsep Homo Islamicus Monzer Kahf Dalam Enterpreneurship Kiai Mahmud Ali Zain. *Al-Mustashfa: Jurnal Penelitian Hukum Ekonomi Syariah*, 6(2), 121–134. <https://doi.org/10.24235/JM.V6I2.7931>
- Ibn Khaldun, A. A. R. bin M. (1978). *Muqaddimah* (Abridged E). Routledge & Kegan.
- Mujahidin, M. (2018). Ibn Khaldun ' s Economic Thought. *Munich Personal RePEc Archive*.
- Putra, D. P., & Indra, I. (2016). Determinant of The Poverty in The Moslem Countries: Ibn Khaldun Development Model. *Signifikan: Jurnal Ilmu Ekonomi*, 5(1), 15–30. <https://doi.org/10.15408/sjie.v5i1.3130>
- Rosenthal, F. (1967). *Ibn Khaldun: An Introduction to History-The Muqaddimah*.
- Sri Wahyudi Suliswanto, M., Wahyu Sulistyono, S., Arifin, Z., & Faisal Abdullah, M. (2019). Reflection of Indonesian Economic Development Model Approach Through the Economic and Social Dynamics Ibnu Khaldun. *KnE Social Sciences*, 3(13), 1128. <https://doi.org/10.18502/kss.v3i13.4273>
- Todaro, Michael P. (2004). *Pembangunan ekonomi di dunia ketiga* (Kedelapan). Erlangga.